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26
27 **UNITED STATES DISTRICT COURT**
28 **NORTHERN DISTRICT OF CALIFORNIA**

MUENCH PHOTOGRAPHY, INC.,

Plaintiff,

v.

PEARSON EDUCATION, INC.,

Defendant.

Case No. 13-CV-03937-WHO

**DEFENDANT'S REPLY MEMORANDUM
IN SUPPORT OF MOTION TO DISMISS**

Date: November 6, 2013
Time: 2:00 pm
Judge: District Judge William H.
Orrick
Courtroom: 2, 17th Floor

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1 **I. INTRODUCTION**

2 In this action, Plaintiff Muench Photography, Inc. (“MPI”) attempts to assert a cause of
 3 action it failed to timely assert in an earlier lawsuit against Defendant Pearson Education, Inc.
 4 (“Pearson”) – *Muench Photography, Inc. v. Pearson Education, Inc.*, 12-cv-01927-WHO (N.D.
 5 Cal.) (“*Muench I*”). MPI filed this case *a mere* eight days after this Court denied MPI’s attempt
 6 to add the same contributory infringement claims in *Muench I* due to MPI’s undue delay and lack
 7 of diligence, and the resulting prejudice to Pearson. The Court should not reward MPI’s dilatory
 8 tactics by allowing this separate action to proceed.

9 In its Opposition, MPI concedes that this action is related to *Muench I*. See Dkt. No. 14 at
 10 25:3-6.¹ Yet MPI seeks to circumvent the Court’s order denying it leave to amend the *Muench I*
 11 complaint on the ground that the contributory infringement claims it asserts here are not
 12 “identical” to the direct infringement claims it asserted in *Muench I*. In doing so, MPI ignores
 13 Ninth Circuit precedent which holds that subsequent claims are barred even if not identical so
 14 long as the claims arise out of the same transactional nucleus of operative facts. MPI’s counsel
 15 effectively conceded this test was met when seeking to unsuccessfully add these contributory
 16 infringement claims in *Muench I*: “[t]he heart of this case remains . . . Pearson’s [alleged]
 17 unauthorized uses of [MPI]’s photographs.” *Muench I*, Dkt. No. 40 at 5:18-20.

18 Pearson also moved to dismiss the Complaint on the basis that it fails to state a claim for
 19 contributory infringement. In its Opposition, MPI relies on conclusory assertions to argue it has
 20 adequately alleged that Pearson had knowledge of and intentionally induced and encouraged
 21 third-parties to infringe. An examination of the Complaint reveals, however, nothing more than a
 22 formulaic recitation of the elements of the contributory infringement claim, which falls short of
 23 the governing pleading standards. Finally, MPI’s contributory infringement claim fails as MPI
 24 seeks to collect damages for infringement which allegedly occurred wholly outside of the United
 25 States in violation of the Copyright Act’s prohibition on extraterritorial application. To the extent
 26 MPI bases its Complaint on Pearson’s alleged infringement within the United States – this

27
 28 ¹ All references to page numbers of documents from the Docket refer to the ECF page
 number at the top of the document.

conduct is precisely the conduct at issue in *Muench I*, which further demonstrates the impropriety of MPI's attempt to split the claims into two separate lawsuits.

II. ARGUMENT

A. MPI's Complaint Should be Dismissed for Improper Claim Splitting

MPI's Complaint should be dismissed because it is an improper attempt to litigate claims on a piecemeal basis and circumvent the Court's order in *Muench I* denying MPI's belated effort to add contributory infringement claims to that case. After failing to timely assert these claims in *Muench I*, MPI seeks to litigate a separate action, ignoring the fact that its own unexcused inaction caused the denial of its motion to amend *Muench I*. See *Muench I*, Dkt. No. 50 at 3-4. Allowing MPI to assert the same claims in a separate action would reward MPI for its own undue delay, waste the judicial resources of this Court, and prejudice Pearson by subjecting it to vexatious litigation. See *Adams v. Cal. Dep't. of Health Servs.*, 487 F.3d 684, 688 & n.1 (9th Cir. 2007) (finding plaintiff's tactic to bring a new lawsuit after motion to amend was denied based on plaintiff's undue delay to be "abusive" and stating "[p]laintiffs . . . have no right to maintain two separate actions involving the same subject matter at the same time in the same court and against the same defendant"); see also *Oliney v. Gardner*, 771 F.2d 856, 859 (5th Cir. 1985) ("[T]he district court must ensure that the plaintiff does not use the incorrect procedure of filing duplicative complaints to expand the procedural rights he would otherwise enjoy – particularly for the purpose of circumventing the rules pertaining to the amendment of complaints."); *Oxbow Energy, Inc. v. Koch Indus., Inc.*, 686 F. Supp. 278, 282 (D. Kan. May 19, 1988) ("This district's docket would become clogged and suffer virtual incapacitation if all litigants were allowed to bring a new cause of action every time a motion to amend was denied.").

As the Ninth Circuit has recognized, "the fact that plaintiff was denied leave to amend does not give [it] the right to file a second lawsuit based on the same facts." *Adams*, 487 F.3d at 688. However, that is precisely what MPI is attempting to do in *Muench II*. Dissatisfied with the Court's ruling on its belated motion to amend the complaint in *Muench I* to add contributory infringement claims, MPI now seeks to impermissibly litigate its claims against Pearson in a piecemeal fashion. Tellingly, MPI's discussion of *Adams* accounts for less than two pages of the

1 Opposition. *See* Dkt. No. 14 at 23-24. Although MPI states in conclusory fashion that the claims
 2 in *Muench I* and *Muench II* are “different,” such that the latter action is not the result of
 3 impermissible claim splitting, MPI fails to apply the test set forth by the Ninth Circuit.

4 In its Opposition, MPI concedes that the instant action and *Muench I* “could be tried
 5 together” and that there is “similarity between the two causes of action.” Dkt. No. 14 at 25:3-6.
 6 MPI also does not dispute that both *Muench I* and the instant action involve the same licenses and
 7 same photographs. The ultimate question in both actions is whether Pearson’s conduct violates
 8 the terms of the licenses governing the photographs-in-suit. This common outcome-
 9 determinative question plainly satisfies the Ninth Circuit’s standard for assessing whether two
 10 actions are related such that a latter action is barred under the doctrine of claim splitting. *See*
 11 *Adams*, 487 F.3d at 689 (“Whether two events are part of the same transaction or series depends
 12 on whether they are related to the same set of facts and whether they could conveniently be tried
 13 together.”).² Indeed, each of the criterion that the Ninth Circuit considers in determining whether
 14 claims are the “same” for purposes of the claim splitting analysis is satisfied here. *See id.*
 15 (quoting *Costantini v. Trans World Airlines*, 681 F.2d 1199, 1201-02 (9th Cir. 1982) (listing four
 16 criteria that court should consider)).

17 The “outcome determinative” criterion of “whether the two suits arise out of the same
 18 transactional nucleus of facts,” *see Mpoyo v. Litton Electro-Optical Sys.*, 430 F.3d 985, 987-88
 19 (9th Cir. 2005), is easily satisfied here where both the claims asserted in *Muench I* and the claims
 20 asserted in the instant action involve identical photographs and are governed by identical
 21 licensing agreements. Indeed, in order to prove its contributory infringement claims in the instant
 22 action, MPI will need to prove that it has standing to sue and that the copyrights for the
 23 photographs-in-suit were validly registered with the Copyright Office – issues that are the focus
 24

25 ² Contrary to MPI’s unfounded assertion, there is no requirement that claims be identical in
 26 order to be barred by the prohibition against claim splitting. *See Adams*, 487 F.3d at 689; *see also*
 27 *Rousseau v. Howard County, Md.*, Civ. No. JFM-09-cv-1079, 2009 WL 4018551, at *2 (D. Md.
 28 Nov. 19, 2009) (“The claims need not be identical for the rule against claim splitting to apply. Rather, the suits and claims asserted therein need only arise out of the same transaction or series of transactions or the same core of operative facts.”) (internal quotation marks omitted).

1 of Pearson's motion for summary judgment in *Muench I*. See, e.g., *Muench I*, Dkt. No. 62 at 15-
 2 22. Further, in both *Muench I* and the instant action, MPI asserts claims based on Pearson's
 3 alleged unlawful distribution of the photographs and use of the photographs in violation of the
 4 terms of the licenses between Pearson and third-party Corbis Corporation ("Corbis"). Compare
 5 *Muench I*, Dkt. No. 1, ¶¶ 13, 21, 22, with *Muench II*, Dkt. No. 1, ¶¶ 9, 17. Contrary to MPI's
 6 assertion, see Dkt. No. 14 at 24, the fact that the Court recognized additional time would be
 7 necessary for discovery regarding the contributory infringement claims when MPI unsuccessfully
 8 attempted to add them to the *Muench I* litigation is of no import to the question of whether the
 9 claims arise out of the same transactional nucleus of facts. Although additional discovery would
 10 be necessary if the Court permits this action to go forward, this does not alter the fact that the
 11 claims are still based upon the same photographs and licenses – topics which were the focus of
 12 extensive discovery in *Muench I*.³

13 MPI's reliance on its contention that *Muench I* and the instant action involve different
 14 facts, see Dkt. No. 14 at 20, is misleading as both the contributory infringement claim asserted in
 15 the instant action and the direct infringement claim asserted in *Muench I* require proof of many of
 16 the same facts – (1) copyright ownership; (2) valid copyright registration; (3) printing of
 17 photographs in excess of the license limits; and (4) some act of infringement occurring within the
 18 United States. Moreover, even though contributory infringement requires proof of some
 19 additional elements, this does not alter the fact that the contributory infringement claim could and
 20 should have been asserted in *Muench I*. Indeed, a party "does not avoid the bar of res judicata
 21 merely because he now alleged conduct by [the defendant] not alleged in his prior suit."
 22 *Costantini*, 681 F.2d at 1201.⁴ Rather, the focus is on whether the later-filed claims arise from the
 23 same underlying transaction such that they could have been brought in the earlier action. See
 24

25 ³ MPI's assertion that, in *Muench I* Pearson did not provide "information about the use of
 26 [MPI]'s photographs by Pearson's foreign subsidiaries and affiliates in foreign language
 27 publications[.]" Dkt. No. 14 at 6:15-17, is misleading as this issue was squarely addressed in
 28 briefing the motion to amend in *Muench I*. See *Muench I*, Dkt. No. 50 at 4:4-6.

⁴ In assessing whether the doctrine of claim splitting bars a subsequent claim, the Ninth
 Circuit "borrow[s] from the test for claim preclusion." *Adams*, 487 F.3d at 688.

1 *Adams*, 487 F.3d at 694 (stating claim-splitting doctrine prevents “litigating piecemeal the issues
 2 which could have been resolved in one action”); *accord Tahoe-Sierra Pres. Council, Inc. v.*
 3 *Tahoe Reg’l Planning Agency*, 322 F.3d 1064, 1078 (9th Cir. 2003) (claim preclusion bars
 4 relitigation of grounds for recovery that “could have been asserted[] in a previous action between
 5 the parties”); *In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, MDL No. 765 PHX RCB,
 6 1991 WL 425379, at *5 (D. Ariz. Jan. 7, 1991) (“[T]he rule against claim-splitting . . . precludes
 7 plaintiff from bringing a separate action on any . . . claims . . . that could have been brought in
 8 [plaintiff’s first suit] had the motion to amend the complaint to add those claims been brought
 9 earlier in the litigation.”). MPI’s counsel has already admitted these causes of action could have
 10 been tried together based on their similarities. *See* Dkt. No. 14 at 25:4-6 (“[MPI] does not dispute
 11 that the two causes of action could be tried together [or that there is] similarity between the two
 12 causes of action.”).

13 The other criteria of the *Adams* transaction test are also satisfied. First, *Muench I* and the
 14 instant action both relate to MPI’s effort to recover for claimed unlawful infringement of its
 15 copyrights. Thus, the same rights and interests are involved. Second, MPI fails to refute
 16 Pearson’s claim that because both actions involve the same photographs and the same licenses,
 17 the same substantial evidence would be presented in both actions. While MPI contends that
 18 “damages available under the two causes of action differ[,]” Dkt. No. 14 at 5:17-18, MPI fails to
 19 provide any explanation as to how the damages differ. An examination of the complaints in
 20 *Muench I* and *Muench II* reveals that MPI seeks identical relief, such as “[a] permanent injunction
 21 against Defendant and anyone working in concert with it from copying, displaying, distributing,
 22 selling or offering to sell Plaintiff’s Photographs” and “statutory damages.” *See Muench I*, Dkt.
 23 No. 1 at 9:10-25; *Muench II*, Dkt. No. 1 at 5:19-6:7. Finally, MPI fails to address the fact that
 24 both suits involve allegations of “infringement of the same right,” *Adams*, 487 F.3d at 689,
 25 because both *Muench I* and *II* are based on alleged “infringement of [MPI]’s copyrights in the
 26 Photographs in violation of 17 U.S.C. §§ 501 *et. seq.*” *Muench I*, Dkt. No. 1, ¶ 29; *Muench II*,
 27 Dkt. No. 1, ¶ 22.

1 Additionally, MPI fails to address – let alone rebut – that it impermissibly seeks statutory
 2 damages in both the instant action and *Muench I* in violation of the Copyright Act’s mandate that
 3 a copyright owner may elect “an award of statutory damages for *all infringements involved in*
 4 *the action, with respect to any one work* for which any one infringer is liable individually, or for
 5 which any two or more infringers are liable jointly and severally.” Dkt. No. 11 at 11 (quoting 17
 6 U.S.C. § 504(c)(1) (emphasis added)). In other words, to the extent that MPI seeks statutory
 7 damages for each of the photos at issue, it would only be entitled to a single award per photo
 8 regardless of whether the theory is direct or indirect infringement. The fact that MPI seeks
 9 statutory damages in two separate actions not only establishes that MPI is attempting to
 10 circumvent the Copyright Act’s damages provisions, but also demonstrates that the damages in
 11 these actions are indeed the same. The Court should reject MPI’s attempt to seek double-
 12 recovery for alleged infringement of its copyrights.

13 Because all criteria weigh in favor of finding that the instant action and *Muench I* are the
 14 “same” for purposes of claim splitting, dismissal with prejudice is appropriate as “[p]ermitting
 15 these later-filed claims to proceed would create incentive for plaintiffs to hold back claims and
 16 have a second adjudication.” *Mpoyo*, 430 F.3d at 989; *see also Adams*, 487 F.3d at 692-93.

17 **B. The Complaint Fails to Adequately Allege Contributory Infringement**

18 **1. MPI’s Complaint Fails to Plead Facts that Give Rise to a Plausible** 19 **Inference of Contributory Infringement**

20 In its Opposition, MPI argues that its laundry list of conclusory allegations regarding
 21 Pearson’s knowledge of infringement by third-parties and distribution of Pearson’s publications
 22 containing MPI’s photographs to third-parties is sufficient to state a claim for contributory
 23 copyright infringement. *See* Dkt. No. 14 at 10. Such “naked assertions devoid of further factual
 24 enhancement” are, however, insufficient to withstand a motion to dismiss. *See Teixeira v. County*
 25 *of Alameda*, No. 12-cv-03288-WHO, 2013 WL 4804756, at *4 (N.D. Cal. Sept. 9, 2013) (Orrick,
 26 J.). MPI asserts that it offers “specific allegations,” Dkt. No. 14 at 14:12, but those allegations are
 27 nothing more than unsupported legal conclusions masquerading as factual allegations. *See* Dkt.
 28 No. 1, ¶¶ 9-17. Such allegations are not entitled to any weight at the motion to dismiss phase.

1 See *Robertson v. Nw. Administrators, Inc.*, No. C98-01974 MMC, 1999 WL 183616, at *6 n.5
 2 (N.D. Cal. Mar. 26, 1999) (“[C]onclusory allegations or legal conclusions masquerading as
 3 factual conclusions will not suffice to prevent a motion to dismiss.”).

4 Once these conclusory allegations are stripped away, it is apparent that MPI has failed to
 5 plead facts giving rise to a plausible inference that Pearson committed contributory copyright
 6 infringement. It is well-settled that knowing inducement of infringement requires “active steps
 7 taken to encourage direct infringement” and that “mere knowledge of infringing potential” is not
 8 enough. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*, 545 U.S. 913, 936-37 (2005). MPI’s
 9 assertion that Pearson transmitted MPI’s image to third parties falls far short of knowingly
 10 inducing or materially contributing to a third-party’s infringement. See Dkt. No. 1, ¶ 12; Dkt. No.
 11 14 at 10 (claiming Pearson “facilitated the unlicensed use of [MPI]’s photographs by reproducing
 12 and distributing the Photographs without [MPI]’s permission to” third-parties); see also *Capitol*
 13 *Records, Inc. v. Foster*, No. CIV. 04-1569-W, 2007 WL 1028532, at *3 (W.D. Okla. Feb. 6,
 14 2007) (“Merely supplying means to accomplish infringing activity cannot give rise to imposition
 15 of liability for contributory copyright infringement.”); *Newborn v. Yahoo!, Inc.*, 391 F. Supp. 2d
 16 181, 186 (D.D.C. 2005) (same); *Brought to Life Music, Inc. v. MCA Records, Inc.*, 65 U.S.P.Q.2d
 17 1954, 1956 (S.D.N.Y. 2003) (“[A]n allegation that a defendant ‘merely provided the means to
 18 accomplish an infringing activity’ is insufficient to establish a claim for contributory
 19 infringement.”).

20 MPI’s reliance on its allegation that a few foreign publishing entities printed textbooks
 21 containing MPI’s photographs without permission, see Dkt. No. 14 at 15:16-18, is misplaced as,
 22 even if true, this does not demonstrate that Pearson had control over or encouraged these third-
 23 parties to print MPI’s photographs without permission. MPI fails to acknowledge – as Pearson
 24 pointed out in its Opening Memorandum – that by MPI’s own allegations foreign publishing
 25 entities entered directly into licensing agreements with Corbis. See Dkt. No. 11 at 6:10-12. Thus,
 26 MPI’s own allegations demonstrate that Pearson did not take “active steps” to encourage direct
 27 infringement. See *Grokster*, 545 U.S. at 936-37.

The District of Colorado’s decision in *Viesti Associates, Inc. v. Pearson Education, Inc.*, No. 12-CV-02240-PAB-DW, 2013 WL 4052024 (D. Colo. Aug. 12, 2013) is directly on point to this case. MPI’s cursory attempt to distinguish *Viesti* fails.⁵ Although MPI argues that its allegations in the instant action are materially different from the allegations which the Court held to be inadequate in *Viesti*, in reality, the Complaint offers no new allegations that provide the additional factual support the Court found lacking in *Viesti*.⁶ MPI’s new allegation that “Pearson knew when it reproduced and distributed the Photographs that the Third Parties would reproduce and distribute the Photographs without [MPI]’s authorization” does not save this defective claim. See Dkt. No. 14 at 10. This conclusory assertion falls far short of providing “*factual allegations*” describing instances of Pearson encouraging or promoting third parties to infringe [plaintiff]’s photographs” – which the *Viesti* court held would be necessary to make any allegation of knowledge meaningful. See 2013 WL 4052024, at *7 (emphasis added). Here, as in *Viesti*, “the Court cannot draw a reasonable inference that Pearson enabled, induced, or materially assisted the misconduct alleged.” *Id.*

2. MPI’s Complaint Fails to State a Claim as the Alleged Infringement Occurred Outside the United States

Recognizing that the United States copyright laws do not have extraterritorial application, MPI asserts that its contributory infringement claim fits within the predicate act exception, see Dkt. No. 14 at 18, which provides that “[o]nce a plaintiff demonstrates a domestic violation of the Copyright Act, then, it may collect damages from foreign violations that are directly linked to the

⁵ MPI cites to two cases from outside this Circuit – *StockFood America, Inc. v. Pearson Education, Inc.* and *Bavendam v. Pearson Education, Inc.* in which other courts permitted contributory copyright infringement claims to proceed. See Dkt. No. 14 at 16. These decisions are not binding on this Court and are inconsistent with the well-reasoned *Viesti* opinion. Further, Pearson respectfully submits that these two decisions on which MPI relies were wrongly decided.

⁶ MPI points to numerous conclusory allegations to support its claim that it provides “significantly more” factual detail, see Dkt. No. 14 at 15; however, as explained above these allegations are not sufficient to defeat a motion to dismiss. Further, these allegations fail to detail how Pearson actively induced or encouraged infringement by third-parties. Additional “detail” that is not relevant to the claims asserted in the instant action plainly cannot save the Complaint from dismissal.

U.S. Infringement.” *Tire Eng’g & Distrib., LLC, v. Shangdong Linglong Rubber Co.*, 682 F.3d 292, 307 (4th Cir. 2012).⁷ In support of this assertion, MPI relies on the non-binding decisions of two district courts which held that the predicate act exception extends to claims for contributory infringement so long as there is an allegation of completion of one act of infringement within the United States. *See* Dkt. No. 14 at 22-23 (citing *StockFood America, Inc. v. Pearson Education, Inc. and Bavendam v. Pearson Education, Inc.*).⁸ *Stockfood* and *Bavendam* are inapplicable here where there is no claim for direct infringement against Pearson. Indeed, MPI cannot assert a claim for direct infringement against Pearson as this is precisely the conduct that is already at issue in *Muench I*. Thus, to the extent the Court’s credits MPI’s lone allegation that “[u]pon information and belief, Pearson’s unauthorized reproduction and distribution to Third Parties took place in the United States,” Dkt. No. 1, ¶ 9, this allegation is precisely the conduct at issue in *Muench I*. Thus, the predicate act requirement confirms that MPI is engaged in impermissible claim splitting.

II. CONCLUSION

For the foregoing reasons, and for the reasons set forth in Pearson’s Opening Memorandum, Pearson respectfully requests that the Court dismiss MPI’s Complaint with prejudice.

⁷ The predicate act doctrine applies to *damages* arising from direct infringement within the United States; it does not permit a plaintiff to assert claims for contributory infringement arising from direct infringement that occurs outside the United States. *See L.A. News Serv. v. Reuters Television Int’l, Ltd.*, 149 F.3d 987, 992 (9th Cir. 1998) (“Nor would a copyright holder be entitled to recover extraterritorial damages unless the damages flowed from extraterritorial exploitation of an infringing act that occurred in the United States.”); *see also Subafilms Ltd. v. MGM-Pathe Comm’n’s Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (*en banc*) (explaining that predicate act doctrine “is premised on the theory that the copyright holder may recover damages that stem from a direct infringement of its exclusive rights that occurs *within* the United States. . . . Liability is not based on contributory infringement, but on the theory that the infringing use would have been actionable *even if* the subsequent foreign distribution that stemmed from that use never took place”) (emphasis in original). Thus, MPI’s reliance on the predicate act doctrine is misplaced as this exception does not apply to its claims for contributory infringement, which are based on foreign entities allegedly committing copyright infringement abroad.

⁸ For the reasons discussed in footnote 7, *supra*, Pearson respectfully submits that these decisions, which are not binding authority on this Court, were wrongly decided.

1
2 Dated: October 15, 2013

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PROOF OF SERVICE

I am a resident of the State of Delaware and over the age of eighteen years and not a party to the within-entitled action; my business address is 1007 N. Orange Street, Suite 501, Wilmington, Delaware 19801.

On October 15, 2013, I served:

DEFENDANT'S REPLY MEMORANDUM IN SUPPORT OF MOTION TO DISMISS

BY E-FILE: I caused such documents to be transmitted by e-file with the Clerk of the Court by using the CM/ECF system, which will send a notice of electronic filing to the following:

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Executed on October 15, 2013, at Wilmington, Delaware.

I declare under penalty of perjury that I am employed in the office of a member of the bar of this Court at whose direction the service was made, and that the foregoing is true and correct.

/s/ Amy M. Dudash